



Customer focus is key to success

Customer value is the key to future success in chemicals and plastics, says **Phil Allen**, chief executive officer of MarketAbility, in response to a recent *ECN* editorial

Dear Sir,

There is much talk in chemicals and plastics about commoditisation and the need for innovation – but what are the key elements of success? Reading the editorial in the 10 January issue of *ECN* drove me to unpack my laptop and write this article.

The opening lines of the editorial call for industry leaders to look for ‘new ways of approaching the perennial problems of innovation’ and go on to lament Dow Chemical’s withdrawal of *Questa*, Bayer’s ceasing development of *Tedur*, Shell and BP’s stifling of *Carilon* and *Ketonex* and BASF having stopped the search for new polymers some 10 years ago.

On the following page we read of Dow and DuPont’s dissolution of their somewhat over-ambitious DuPont Dow Elastomers joint venture, which had been given the target of doubling sales within five years in a highly competitive and commoditising market.

It is fascinating that all the names mentioned are actually the leading companies in the industry. *ECN*’s World Outlook confirmed to me one very clear reason why the industry is still in the sorry state it finds itself. There were ten pages of forward-looking from board level, from consultants and others, and not one mention of customers.

Lots about economics and lots about capacity and efficiency but nothing about customer needs and customer behaviours. Nothing about trying to understand customers better or trying to improve services to customers. Nothing about trying to tailor innovations to better fulfil customer needs.

When will the leaders of this industry wake up to the reality that customers are the ones who drive demand for chemicals and plastics products and services? When will they start to change the emphasis of their thinking away from cost, efficiency and production capacities to customer needs and value, value pricing and sustainable customer retention? The lead must come from

the top. A stronger emphasis and focus on the customer can deliver far more value than an interminable focus on cost, efficiency and production.

Actually, the industry has done a good job of achieving high levels of efficiency and cost-effective manufacturing. The blinkered persistence of focusing on cost-cutting in the past few years has, I fear, gone beyond the pale. It has resulted in such a low level of resource that many companies and businesses are incapable of understanding and responding to customer needs and value. It is solely in the hands and mouths of management to change this, as it is they who must set the priorities and ask the right questions of their teams.

Focusing on customer needs and value is not about giving customers everything they want, nor even everything they need. It is about understanding what they are willing to pay for, delivering that efficiently and capturing the value back through the price. Focusing on customer needs and value drivers can and does lead to higher prices and better margins. Even within the industry there are a few proponents that can be singled out – Dow Corning and Ciba Specialty Chemicals to name but two. But they are lone wolves in the pack.

Focusing on customer-driven innovation

with Six Sigma applied to bring the ideas faster to market can lead to improved success with products and services better tuned to customer value and can result in better commercialisation success rates.

Focusing on customer retention saves a huge amount of wasted effort, energy and cost in trying to replace lost business and customers with new, an effort which can cost anything from five to 20 times more than customer retention.

Some simple tips for management:

- **Ensure** a focus on understanding customer needs and value drivers;
- **Demand** a customer need and value-driven segmentation as the basis of commercial strategies;
- **Insist** on the development of complete offerings going beyond product and including service and intangible elements, where you are more likely to build differentiation;
- **Push** for pricing linked to customer value and not constrained by narrow-minded focus on competition: customer value is where the real value is;
- **Empower** your people to focus on the customer, understanding customer needs and value drivers and release them from the straightjacket of product, production and capacity driven thinking: people must be enabled to break their old habits;
- **Measure** your performance based on customer-driven parameters: include rigorous won/lost-business analysis in your measurement processes.

Market success is built on one of the following capabilities, for which you should be striving in all of your strategies: dominate the market, dominate the category or technology, dominate one or more segments, dominate the cycle, redefine the business model, and reinvent the market.

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